

**REMARKS:**

Claims 1-5, 7-13, and 15-25 are currently pending in the application.

Claims 27-49 have been canceled without *prejudice*.

Claims 6, 14, 26, and 50-71 have been withdrawn from further consideration.

Claims 1-5, 7-13, and 15-25 stand rejected under 35 U.S.C. § 112, second paragraph.

Claims 1-5, 7-13, and 15-25 stand rejected under 35 U.S.C. § 103(a) over U.S. Patent No. 5,793,632 to Fad et al. ("*Fad*") in view of U.S. Patent No. 5,987,425 to Hartman et al. ("*Hartman*").

Although the Applicants believe Claims 1-5, 7-13, and 15-25 are directed to patentable subject matter without amendment, the Applicants have amended Claim 23 to correct a typographical error. By making these amendments, the Applicants make no admission concerning the merits of the Examiner's rejection, and respectfully reserve the right to address any statement or averment of the Examiner not specifically addressed in this response. Particularly, the Applicants reserve the right to pursue broader claims in this Application or through a continuation patent application. No new matter has been added.

**REJECTION UNDER 35 U.S.C. § 101:**

The Applicants thank the Examiner for withdrawing the 35 U.S.C. § 101 rejection of Claims 1-71.

**REJECTION UNDER 35 U.S.C. § 112:**

Claims 1-5, 7-13, and 15-25 stand rejected under 35 U.S.C. § 112, second paragraph, as allegedly being indefinite for failing to particularly point out and distinctly

claim the subject matter which Applicants regard as the invention. The Applicants respectfully disagree.

In particular, the Examiner asserts that the “term ‘optimal’, a vague and relative term appears in each of independent Claims 1, 9, 17, and 25.” (2 June 2006 Office Action, Page 3). The Applicants respectfully disagree and respectfully request the Examiner to more fully explain what is ‘vague and relative’ about the term ‘optimal’. In addition, the Examiner asserts that “these claims [Claims 1, 9, 17, and 25] fail to properly set for [sic] the metes and bounds of the invention.” (2 June 2006 Office Action, Page 3). The Applicants respectfully disagree and respectfully request the Examiner to more fully explain how the term ‘optimal’ fails to properly set forth the metes and bounds of the invention.

Independent Claim 9 is directed to a “**system for generating a price schedule for one or more products**”. The system comprises a “**transition graph generator**” and an “**optimizer**”. The “**transition graph generator**” is operable to “**generate a transition graph comprising a plurality of paths**” wherein “**each path compris[es] a plurality of states**” and “**each state having** a price value, an inventory value, and a **state value**”. The “**optimizer**” is “coupled to the **transition graph generator**” and is operable to “select an **optimal path according to the state values** of the states” and “determine a **price schedule from the optimal path**”. Independent Claims 1, 17, and 25 recite similar limitations.

The Applicants do not understand why the term “optimal” is thought to be “vague and relative” and respectfully requests further explanation from the Examiner. The Examiner may call the undersigned, Steven J. Laureanti, at (817) 447-9955 if the Examiner believes it would be easier to discuss the term “optimal” over the telephone.

The Applicants conducted a search on the United States Patent and Trademark website in which the term “optimal” are used in claims. The search revealed that 7,983 patents have issued in the United States between 1976 and the present. The Applicants respectfully request the Examiner to cite a specific rule in 37 C.F.R. or in the MPEP that restricts the use of the term “optimal” in a claim. Again the Examiner may call the

undersigned, Steven J. Laureanti, at (817) 447-9955 if the Examiner believes it would be easier to discuss the term “optimal” over the telephone.

**REJECTION UNDER 35 U.S.C. § 103(a):**

Claims 1-5, 7-13, and 15-25 stand rejected under 35 U.S.C. § 103(a) over *Fad* in view of *Hartman*.

Although the Applicants believe Claims 1-5, 7-13, and 15-25 are directed to patentable subject matter without amendment, the Applicants have amended Claim 23 to correct a typographical error. By making these amendments, the Applicants do not indicate agreement with or acquiescence to the Examiner’s position with respect to the rejections of these claims under 35 U.S.C. § 103(a), as set forth in the Office Action.

The Applicants respectfully submit that *Fad* or *Hartman*, either individually or in combination, fail to disclose, teach, or suggest each and every element of Claims 1-5, 7-13, and 15-25. Thus, the Applicants respectfully traverse the Examiner’s obvious rejection of Claims 1-5, 7-13, and 15-25 under 35 U.S.C. § 103(a) over the proposed combination of *Fad* or *Hartman*, either individually or in combination.

**The Proposed *Fad-Hartman* Fails to Disclose, Teach, or Suggest Various Limitations Recited in Applicants Claims**

For example, with respect to independent Claim 9, this claim recites:

**A system for generating a price schedule for one or more products**, the system comprising:

**a transition graph generator** operable to **generate a transition graph comprising a plurality of paths, each path comprising a plurality of states, each state having** a price value, an inventory value, and a **state value**, the transition graph generator operable to generate the transition graph by repeating the following for a plurality of stages until a final stage is reached:

determining the price value of a successor state;  
calculating the inventory value of the successor state using the price value and the inventory value of a predecessor state; and  
calculating the state value of the successor state using the price value and the inventory value of the predecessor state; and

an **optimizer** coupled to the **transition graph generator** and operable to:  
select an **optimal path according to the state values** of the states; and  
determine a **price schedule from the optimal path**.  
(Emphasis Added).

Independent Claims 1, 17, and 25 recite similar limitations. *Fad* or *Hartman* fail to disclose each and every limitation of independent Claims 1, 9, 14, and 25.

The Applicants respectfully submit that *Fad* has nothing to do with independent Claim 9 limitations regarding a “**system for generating a price schedule for one or more products**” and in particular *Fad* has nothing to do with independent Claim 9 limitations regarding a “**transition graph generator** operable to **generate a transition graph comprising a plurality of paths, each path comprising a plurality of states, each state having** a price value, an inventory value, and a **state value**”. Rather *Fad* discloses a process for estimating information as to costs to develop specific hardware or software systems. (Abstract). It appears that the Examiner is equating the “**transition graph generator**” recited in independent Claim 9 with the “**process**” disclosed in *Fad*. (2 June 2006 Office Action, Page 4). However, the “**process**” disclosed in *Fad* merely provides for a process in which a production rate may be determined, **and is not even related to a transition graph or even a plurality of paths, a plurality of states, or even a state value**. (Column 3, Lines 12-52). In contrast, the “**transition graph generator**” recited in independent Claim 9 is operable to “**generate a transition graph comprising a plurality of paths**” wherein “**each path comprising a plurality of states**” and “**each state having** a price value, an inventory value, and a **state value**”. Thus, the Applicants respectfully submit that the equations forming the foundation of the Examiner’s comparison between *Fad* and independent Claim 9 cannot be made. The Applicants further respectfully submit that these distinctions alone are sufficient to patentably distinguish independent Claim 9 from *Fad*.

## **The Office Action Acknowledges that *the Fad* Fails to Disclose Various Limitations Recited in Applicants Claims**

The Applicants respectfully submit that the Office Action acknowledges, and the Applicants agree, that *Fad* fails to disclose the emphasized limitations noted above in independent Claim 9. Specifically the Examiner acknowledges that *Fad* fails to disclose “selecting an ***optimal path according to the state values*** of the states and determining a ***price schedule from the optimal path***”. (2 June 2006 Office Action, Page 4). However, the Examiner asserts that the cited portions of *Hartman* disclose the acknowledged shortcomings in *Fad*. The Applicants respectfully traverse the Examiner’s assertions regarding the subject matter disclosed in *Hartman*.

The Applicants respectfully submit that *Hartman* has nothing to do with independent Claim 9 limitations regarding a “***system for generating a price schedule for one or more products***” and in particular *Hartman* has nothing to do with independent Claim 9 limitations regarding an “***optimizer*** coupled to the ***transition graph generator***” and operable to “select an ***optimal path according to the state values*** of the states” and “determine a ***price schedule from the optimal path***”. In particular, it appears that the Examiner is equating “***optimizer***” recited in independent Claim 9 with the “***pricing system***” disclosed in *Hartman*. (2 June 2006 Office Action, Page 4). However, the “***pricing system***” disclosed in *Hartman*, merely provides dealers control over the retail pricing, and ***does not include or is not even related to an optimizer***, as recited in independent Claim 9. (Column 2, Lines 2-22). In contrast, the “***optimizer***” recited in independent Claim 9 provides for “select[ing] an ***optimal path according to the state values*** of the states” and “determining a ***price schedule from the optimal path***”. Thus, the Applicants respectfully submit that the equations forming the foundation of the Examiner’s comparison between *Hartman* and independent Claim 9 cannot be made. The Applicants further respectfully submit that these distinctions alone are sufficient to patentably distinguish independent Claim 9 from *Hartman*.

## **The Office Action Fails to Properly Establish a *Prima Facie* case of Obvious over the Proposed *Fad-Hartman* Combination**

The Applicants respectfully submit that the Office Action fails to properly establish a *prima facie* case of obviousness based on the proposed combination of *Fad* or *Hartman*, either individually or in combination. The Office Action has not shown the required teaching, suggestion, or motivation in these references or in knowledge generally available to those of ordinary skill in the art at the time of the invention to combine these references as proposed. The Office Action merely states that “it would have been obvious to one of ordinary skill in the art **to adapt and combine** the teaching of *Fad* and *Hartman* **to obtain the instant application**”. (2 June 2006 Office Action, Page 4). (Emphasis Added). The Applicants respectfully disagree.

The Applicants further respectfully submit that this purported advantage relied on by the Examiner is nowhere disclosed, taught, or suggested in *Fad* or *Hartman*, either individually or in combination. The Examiner asserts that the motivation to combine the references as proposed would be “**in order to achieve greater flexibility in pricing according to the market.**” (2 June 2006 Office Action, Page 4). (Emphasis Added). The Applicants respectfully disagree and further respectfully request clarification as to how the Examiner arrives at this conclusion. For example, how does “**achiev[ing] greater flexibility in pricing**” provide motivation to “**adapt and combine** the teaching of *Fad* and *Hartman*” and to what extent does the Examiner purport that “**adapt[ing] and combin[ing]** the teaching of *Fad* and *Hartman*” actually “**obtain[s] the instant application**” and furthermore, how is the “**instant application**” “**obtain[ed]**”, in the first place.

**The Applicants respectfully request the Examiner to point to the portions of *Fad* or *Hartman* which contain the teaching, suggestion, or motivation to combine these references for the Examiner’s stated purported advantage.** The Applicants respectfully submit that it appears that the Examiner is actually arguing that “**in order to achieve greater flexibility in pricing according to the market**” one would have “**to adapt and combine** the teaching of *Fad* and *Hartman*”. However, one of the problems with this argument is that the only way to arrive at this conclusion is through the use of

impermissible hindsight. The Applicants further respectfully submit that the Examiner is using the subject Application as a template to formulate reconstructive hindsight, which constitutes impermissible use of hindsight under 35 U.S.C. § 103(a).

A recent Federal Circuit case makes it crystal clear that, in an obviousness situation, the **prior art must disclose each and every element of the claimed invention, and that any motivation to combine or modify the prior art must be based upon a suggestion in the prior art.** *In re Lee*, 61 U.S.P.Q.2d 1430 (Fed. Cir. 2002). (Emphasis Added). Conclusory statements regarding common knowledge and common sense are insufficient to support a finding of obviousness. *Id.* at 1434-35. With respect to the subject Application, the **Examiner has not adequately supported the selection and combination of Fad or Hartman to render obvious the Applicants claimed invention.** The Examiner's conclusory statements that "it would have been obvious to one of ordinary skill in the art **to adapt and combine** the teaching of *Fad* and *Hartman* **to obtain the instant application**" and "**in order to achieve greater flexibility in pricing according to the market**", **does not adequately address the issue of motivation to combine.** (2 June 2006 Office Action, Page 4). This factual question of motivation is material to patentability, and cannot be resolved on subjective belief and unknown authority. *Id.* It is improper, in determining whether a person of ordinary skill would have been led to this combination of references, simply to "[use] that which the inventor taught against its teacher." *W.L. Gore v. Garlock, Inc.*, 721 F.2d 1540 (Fed. Cir. 1983). Thus, **the Office Action fails to provide proper motivation for combining the teachings of Fad or Hartman**, either individually or in combination.

### **The Applicants Claims are Patentable over the Proposed *Fad-Hartman* Combination**

The Applicants respectfully submit that independent Claims 1, 17, and 25 include limitations similar to those discussed above in connection with independent Claim 9. Thus, independent Claims 1, 9, 17, and 25 are considered patentably distinguishable over *Fad* and *Hartman* for at least the reasons discussed above in connection with independent Claim 9.

With respect to dependent Claims 1-5, 7, 8, 10-13, 15, 16, and 18-24: Claims 1-5, 7, and 8 depend from independent Claim 1; Claims 10-13, 15, and 16 depend from independent Claim 9, and Claims 18-24 depend from independent Claim 17. As mentioned above, each of independent Claims 1, 9, 17, and 25 are considered patentably distinguishable over the proposed combination of *Fad* and *Hartman*. Thus, dependent Claims 1-5, 7, 8, 10-13, 15, 16, and 18-24 are considered to be in condition for allowance for at least the reason of depending from an allowable claim.

For at least the reasons set forth herein, the Applicants respectfully submit that Claims 1-5, 7-13, and 15-25 are not rendered obvious by the proposed combination of *Fad* and *Hartman*. The Applicants further respectfully submit that Claims 1-5, 7-13, and 15-25 are in condition for allowance. Thus, the Applicants respectfully request that the rejection of Claims 1-5, 7-13, and 15-25 under 35 U.S.C. § 103(a) be reconsidered and that Claims 1-5, 7-13, and 15-25 be allowed.

#### **THE LEGAL STANDARD FOR OBVIOUSNESS REJECTIONS UNDER 35 U.S.C. § 103:**

To establish a *prima facie* case of obviousness, three basic criteria must be met. First, ***there must be some suggestion or motivation, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art, to modify the reference or to combine reference teachings.*** Second, there must be a reasonable expectation of success. Finally, ***the prior art reference*** (or references when combined) ***must teach or suggest all the claim limitations.*** The teaching or suggestion to make the claimed combination and the reasonable expectation of success must both be found in the prior art, ***and not based on applicant's disclosure.*** *In re Vaeck*, 947 F.2d 488, 20 U.S.P.Q.2d 1438 (Fed. Cir. 1991); M.P.E.P. § 2142. Moreover, all the claim limitations must be taught or suggested by the prior art. *In re Royka*, 490 F.2d 981, 180 U.S.P.Q. 580 (CCPA 1974). If an independent claim is nonobvious under 35 U.S.C. § 103, then any claim depending therefrom is nonobvious. *In re Fine*, 837 F.2d 1071, 5 U.S.P.Q.2d 1596 (Fed. Cir. 1988); M.P.E.P. § 2143.03.



With respect to alleged obviousness, ***there must be something in the prior art as a whole to suggest the desirability***, and thus the obviousness, of making the combination. *Panduit Corp. v. Dennison Mfg. Co.*, 810 F.2d 1561 (Fed. Cir. 1986). In fact, the absence of a suggestion to combine is dispositive in an obviousness determination. *Gambro Lundia AB v. Baxter Healthcare Corp.*, 110 F.3d 1573 (Fed. Cir. 1997). The mere fact that the prior art can be combined or modified does not make the resultant combination obvious unless the prior art also suggests the desirability of the combination. *In re Mills*, 916 F.2d 680, 16 U.S.P.Q.2d 1430 (Fed. Cir. 1990); M.P.E.P. § 2143.01. The consistent criterion for determining obviousness is whether the prior art would have suggested to one of ordinary skill in the art that the process should be carried out and would have a reasonable likelihood of success, viewed in the light of the prior art. Both the suggestion and the expectation of success must be founded in the prior art, not in the Applicant's disclosure. *In re Vaeck*, 947 F.2d 488, 20 U.S.P.Q.2d 1438 (Fed. Cir. 1991); *In re O'Farrell*, 853 F.2d 894 (Fed. Cir. 1988); M.P.E.P. § 2142.

A recent Federal Circuit case makes it clear that, in an obviousness situation, the prior art must disclose each and every element of the claimed invention, and that any motivation to combine or modify the prior art must be based upon a suggestion in the prior art. *In re Lee*, 61 U.S.P.Q.2d 1430 (Fed. Cir. 2002). Conclusory statements regarding common knowledge and common sense are insufficient to support a finding of obviousness. *Id.* at 1434-35.

**CONCLUSION:**


In view of the foregoing amendments and remarks, this application is considered to be in condition for allowance, and early reconsideration and a Notice of Allowance are earnestly solicited.

Although the Applicants believe no fees are deemed to be necessary; the undersigned hereby authorizes the Commissioner to charge any additional fees which may be required, or credit any overpayments, to **Deposit Account No. 500777**.

**Please link this application to Customer No. 53184 so that its status may be checked via the PAIR System.**

Respectfully submitted,

8/31/06  
Date

  
James E. Walton, Registration No. 47,245  
Steven J. Laureanti, Registration No. 50,274  
Daren C. Davis, Registration No. 38,425  
Michael Alford, Registration No. 48,707  
Law Offices of James E. Walton, P.L.L.C.  
1169 N. Burleson Blvd., Suite 107-328  
Burleson, Texas 76028  
(817) 447-9955 (voice)  
(817) 447-9954 (facsimile)  
steven@waltonpllc.com (e-mail)

**CUSTOMER NO. 53184**

**ATTORNEYS AND AGENTS FOR APPLICANTS**